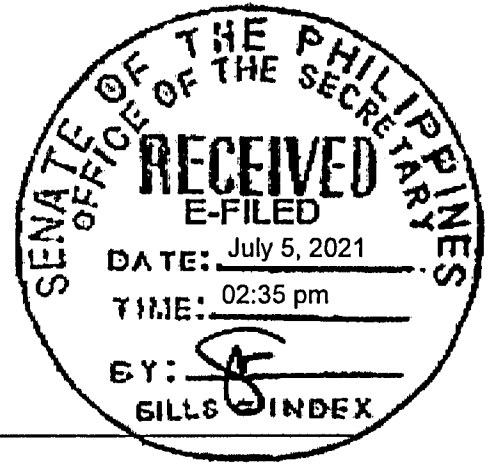


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Third Regular Session* )

SENATE

S. B. No. 2311



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Introduced by Senator SONNY ANGARA

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**AN ACT  
PROVIDING FOR THE PROTECTION AGAINST PANDEMIC AND THE  
DEVELOPMENT OF THE HEALTHCARE AND MANUFACTURING INDUSTRIES,  
AND PROVIDING FUNDS THEREFOR**

**EXPLANATORY NOTE**

The COVID-19 pandemic revealed many infirmities in our economy. Among these includes our lack of capacity to produce certain products domestically. In the immediate months after a State of Public Health Emergency<sup>1</sup> was declared due to the rapid spread of COVID-19 and community quarantines were enacted nationwide starting March 2020, the Philippines faced serious supply shortages of critical products such as personal protective equipment (PPEs), extraction kits, and other laboratory equipment needed to process test results.

Several factors led to this situation. As global demand for such products skyrocketed because of the pandemic, many countries implemented export bans and prioritized building up their own reserves and stockpiles. This in turn imposed heavy burdens on the pandemic responses of countries like the Philippines who rely on imports and were without a domestic supply base for these products.

As a result, there emerged consistent complaints of healthcare workers and other frontliners not having enough PPEs, and laboratories being unable to process samples adequately for lack of equipment. Both came with dire, and at times deadly, consequences.

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<sup>1</sup> Presidential Proclamation No. 922, s. 2020

Emergency measures were needed. Congress speedily responded by passing the Bayanihan to Heal As One Act (RA 11469), which among other things authorized and empowered the President to liberalize the grant of incentives for the manufacture or importation of critical equipment and supplies; to ensure the availability of essential goods by adopting measures that will facilitate their production and minimize any disruption to the appropriate supply chain; and require businesses to prioritize contracts for materials and services critical to the country's response to the pandemic.

The Executive then acted upon this legal mandate, and with the energetic support from the private sector, some of the gaps in our supply chains of critical products were filled. Garments manufacturers repurposed their machines to produce PPEs. Distilleries shifted their production lines to produce hand-sanitizing alcohol. Customs procedures were streamlined and super green lanes were established to allow the faster entry of much-needed equipment.

Now that the end of the pandemic is on the horizon, it is imperative that as the country recovers and builds back, reforms are put in place so that we never experience the shortages we faced in the early days of the community quarantines.

Hence, this proposed measure aims to make it a policy of the State that whenever the Department of Health (DOH) affirms that a pandemic of national or international concern exists or when the President of the Republic declares a State of Public Health Emergency, duly accredited enterprises that manufacture or import critical products, or provide critical services are entitled to receive certain fiscal incentives, such as exemptions from value-added tax and other fees. The measure also temporarily suspends export requirements which bars covered enterprises from offering their products and services to the domestic market. It also mandates the government, as a primary procuring entity, to give preference for critical products that are domestically produced.

The measure also calls on the Department of Trade and Industry (DTI), in collaboration with the Department of Budget and Management (DBM), the National Economic and Development Authority (NEDA), and the Department of Health (DOH), to lead in the stockpiling of such critical products, and formulate a National Critical Products Stockpiling Plan to improve the resilience of country's supply chains and storage capacity. The DTI, including the Board of Investments (BOI), the Philippine

Economic Zone Authority (PEZA), and all other investment promotions agencies (IPAs) are also enjoined to attract the necessary investments and develop and promote the appropriate industries—such as in healthcare, medical products manufacturing, diagnostics, and even biotechnology.

Aligned with our “Tatak Pinoy” initiative, which is focused on helping Filipino enterprises and professionals to become more productive and globally competitive, this measure should be considered a critical component of our efforts to recover from the recessive effects of the COVID-19 pandemic. Hence, in the spirit of building back better, we urge the swift passage of this measure.

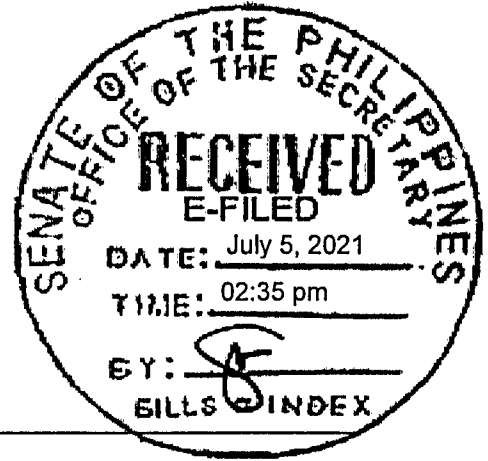


**SONNY ANGARA**

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Third Regular Session* )

SENATE

S. B. No. 2311



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**AN ACT**  
**PROVIDING FOR THE PROTECTION AGAINST PANDEMIC AND THE**  
**DEVELOPMENT OF THE HEALTHCARE AND MANUFACTURING INDUSTRIES,**  
**AND PROVIDING FUNDS THEREFOR**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           **Section 1. Short Title.** – This Act shall be known as the “Pandemic Protection  
2 Act of 2021”.

3           **SEC. 2. Declaration of Policy.** – It is hereby the declared policy of the State  
4 to protect and promote the right to health of the people and instill health  
5 consciousness among them. The State recognizes pandemics and other public health  
6 emergencies as threats to public health and national security, which can undermine  
7 the social, economic, and political functions of the State. To this end, the State, shall  
8 protect the people from pandemics and other public health emergencies, and shall:

- 9           (a) adopt efficient and effective measures that will prevent the overburdening  
10           of the healthcare system;
- 11           (b) develop the healthcare and manufacturing industries and preserve and  
12           generate employment during the crisis;
- 13           (c) ensure adequate and readily available supply of critical products and services  
14           for the health workers and the public;
- 15           (d) protect the interest of the consumers and establish standards of conduct for  
16           business and industry; and
- 17           (e) build strong partnership with the private sector and other stakeholders to  
18           deliver these measures quickly and efficiently.

1           **SEC. 3. Coverage.** – This Act shall cover the manufacture or production of  
2 critical products, including repurposing of existing manufacturers, and supply of critical  
3 products and services. It shall include their entire supply chain and encompass their  
4 raw materials, packaging and its raw materials. The benefits under this Act shall be in  
5 addition to the incentives provided under existing laws.

6           **SEC. 4. Applicability.** – This Act shall apply and shall remain in force and  
7 effect during the existence of a pandemic of national and/or international concern as  
8 declared by the Secretary of Health, or during a state of public health emergency as  
9 declared by the President.

10          **SEC. 5. Definition of Terms.** – For the purpose of this Act, the following  
11 definitions shall apply:

- 12           i. *Accreditation* - refers to the process of officially recognizing a person or  
13           entity under this Act;
- 14           ii. *Critical Products* - refer to medicines, testing kits, vaccines, personal  
15           protective equipment, ventilators and such other supplies or equipment,  
16           including its raw materials, required to address pandemics and other  
17           public health emergencies as may be determined by the Department of  
18           Health (DOH) and other relevant government agencies;
- 19           iii. *Critical Services* - refer to services required for the manufacture,  
20           production and distribution of critical products. This shall also include  
21           testing laboratories; waste management, including but not limited to  
22           waste segregation, storage, collection, sorting, treatment and disposal  
23           services; and other services as may be determined by the DOH and other  
24           relevant government agencies.
- 25           iv. *Manufacturer* - refers to an enterprise duly accredited or registered  
26           under Section 6 hereof, engaged in the production of critical products  
27           including preparation, processing, compounding, formulating, filling,  
28           packing, repacking, altering, ornamenting, finishing and labeling;
- 29           v. *Packaging* - refers to material used to wrap or protect critical products;
- 30           vi. *Producer* - refers to an enterprise that manufactures, makes, grows, or  
31           produces critical products;



1           **SEC. 9. Exemption from Donor's Tax.** – Donations of imported articles  
2 pertaining to the containment or mitigation of the pandemic or other public health  
3 emergency shall be exempt from donor's tax: *Provided*, that the donated articles shall  
4 not be intended for commercial use but shall be for free distribution to or use for the  
5 foregoing purpose. Any resale of the donated articles shall be prohibited: *Provided*,  
6 *further*, that the Department of Finance (DOF) and the Bureau of Internal Revenue  
7 (BIR) shall issue the necessary guidelines governing donations to private entities:  
8 *Provided, furthermore*, that the exemption claimed under this section shall be subject  
9 to post audit by the BIR or the Bureau of Customs (BOC), as may be applicable:  
10 *Provided, furthermore*, that the donations shall be subject to the rules of deductibility  
11 pursuant to the provisions of the National Internal Revenue Code, as amended and  
12 applicable rules and issuances of the BIR: *Provided, finally*, that the exemption under  
13 this Section shall terminate upon declaration by the President that the public health  
14 emergency has ceased to exist.

15           **SEC. 10. Exemption from VAT on Local Sales.** – Sale of critical products  
16 and services during a pandemic or other public health emergencies shall be exempt  
17 from VAT, subject to existing rules and regulations issued by the Bureau of Internal  
18 Revenue (BIR).

19           The DTI-BOI and the BIR shall come up with the list of VAT-exempt critical  
20 products or services, including the new and/or additional critical products covered  
21 under this Act. The list of VAT-exempt critical products or services shall be posted in  
22 the BIR website through a Revenue Memorandum Circular.

23           The exemption provided under this Section shall terminate upon declaration by  
24 the President that the public health emergency has ceased to exist.

25           **SEC. 11. Suspension of Export Requirement.** – The export requirement  
26 imposed under the laws administered by relevant IPAs may be suspended by the  
27 President of the Philippines, upon recommendation of the Fiscal Incentives Review  
28 Board, to satisfy national interest or in an emergency situation. During such  
29 suspension, export enterprises that manufacture critical products or render critical  
30 services shall supply up to eighty percent (80%) of their daily production or service to  
31 government institutions, hospitals, and private establishments in the country for local  
32 or domestic use.

1 The local sales of critical products and services of such export enterprises shall  
2 be deemed and treated as "export sales" in compliance of their export requirement.  
3 As such, the corresponding treatment, exemption on duties, taxes and fees, and other  
4 incentives warranted under the existing laws governing these export enterprises shall  
5 continue to apply. Further, if such export enterprises are located in special economic  
6 zones with status of separate customs territory under relevant laws, such local sales  
7 shall likewise be exempt under Sections 7 and 8 hereof. For this purpose, the DTI-BOI  
8 or concerned IPA shall monitor the requisite compliance of said export enterprises.

9 The exemption on duties, taxes and fees under this Section shall subsist for a  
10 period of three (3) years after the declaration by the World Health Organization that  
11 the pandemic has ended.

12 **SEC. 12. Procurement of Critical Products by the Government.** – To  
13 ensure adequate and responsive supply of critical products and supplies, the  
14 government, as the procuring entity shall give preference and procure critical products  
15 manufactured, produced or made in the Philippines: *Provided*, that the concerned  
16 procuring entity shall make the award to the lowest domestic manufacturer-bidder  
17 notwithstanding that its bid is fifteen percent (15%) in excess of the lowest foreign  
18 bid: *Provided further*, that the winning bidder has secured from the DTI a certification  
19 that the products, articles, materials, or supplies are produced, made or manufactured  
20 in the Philippines: *Provided, finally*, That other qualification and documentary  
21 requirements for local manufacturers and suppliers shall be prioritized and expedited  
22 by the DOH, FDA and other concerned departments and agencies.

23 Private enterprises are also encouraged to source their requirements for critical  
24 products from local manufacturers.

25 **SEC. 13. National Critical Products Stockpiling Plan.** The DTI, in  
26 collaboration with the DOH, the Department of Budget and Management (DBM), the  
27 National Economic and Development Authority (NEDA) and appropriate  
28 representatives from the private sector and academe, shall lead in the formulation of  
29 a national critical products stockpiling plan to enhance the resilience of the country's  
30 supply chains for goods that are essential to protecting the health and wellness of  
31 citizens during pandemics and other public health emergencies.



1 With due consideration to fiscal responsibility and sustainability, the national  
2 critical products stockpiling plan may outline programs for long-term strategic  
3 investments from the public and private sector; expansion of warehousing, storage  
4 capacity, and logistics networks for critical products; and building back-up production  
5 capacity nationwide such as through the establishment of networks of fabrication labs,  
6 testing labs, and distilleries, among others.

7 **Sec. 14. *Stockpiling of Critical Products.*** – The DTI, in coordination with  
8 the DOH and the DBM, shall stockpile necessary critical products to prepare for an  
9 imminent or potential pandemic or public health emergency, in accordance with the  
10 National Critical Products Stockpiling Plan. The DTI shall procure the critical products  
11 in accordance with Section 10 and shall distribute the stockpiled critical products to  
12 DOH or other relevant government agencies as the need arises.

13 **SEC. 15. *Relocation or Expansion of Manufacturing Enterprises in the***  
14 ***Philippines.*** – Manufacturers or producers of critical products that will relocate or  
15 expand operations in the Philippines are qualified to avail of the exemptions under this  
16 Act provided that they meet the requirements prescribed herein.

17 **SEC. 16. *Development and Promotion of Healthcare, Manufacturing***  
18 ***and Other Related Industries.*** – The DTI-BOI and all relevant IPAs shall actively  
19 develop and promote the healthcare, manufacturing and other related industries to  
20 encourage investors in this area of investments.

21 **SEC. 17. *Synchronized and Integrated Government Approach.*** – All  
22 departments, bureaus, agencies or instrumentalities of the government shall ensure  
23 the implementation of this Act by the agencies concerned in a synchronized and  
24 integrated manner. No government body shall adopt any policy or take any course of  
25 action contrary to or inconsistent with this Act.

26 **SEC. 18. *Funding.*** – Funding to operationalize the provisions and mechanisms  
27 shall be allocated to the DTI-BOI, according to the General Appropriations Act.

28 **SEC. 19. *Implementing Rules and Regulations (IRR).*** – The DTI and BOI  
29 shall promulgate the rules to implement this Act.

30 **SEC. 20. *Repealing Clause.*** All laws, issuances, orders, rules and regulations,  
31 or parts thereof, which are contrary or inconsistent with this Act are hereby repealed,  
32 amended or modified accordingly.

1           **SEC. 21. *Separability Clause.*** If any provision of this Act is declared invalid  
2 or unconstitutional, the other provisions not affected thereby shall remain valid and  
3 subsisting.

4           **SEC. 22. *Effectivity Clause.*** This Act take shall effect immediately upon its  
5 publication in a newspaper of general circulation or in the Official Gazette.

*Approved,*